

1 February 2017

PanAust Quarterly Report for the three months to 31 December 2016

Highlights

- **Outstanding safety performances have continued reflecting PanAust's commitment to Zero Harm and targeted programs which focus on safety hot spots and lead indicators**
 - PanAust Group has achieved 18 months without a lost time injury (LTI)
 - PanAust's flagship Phu Kham Operation has achieved an exceptional 21 months without an LTI
- **Outstanding quarterly production and cost performances**
 - The Phu Kham Copper-Gold Operation produced 22,571 tonnes (t) of copper in concentrate at a C1ⁱ cost of US\$1.23/lb after precious metal credits from 20,353 ounces (oz) gold and 141,733oz silver. An all-in sustaining costⁱⁱ (AISC) of US\$1.81/lb copper was achieved.
 - The Ban Houayxai Gold-Silver Operation produced 26,735oz gold and 206,614oz silver at a C1 cost of US\$590/oz after silver credits. An AISC of US\$873/oz gold was achieved.
- **A number of annual production and cost performance records**
 - Production: 89,187t copper, 217,182oz of gold in concentrate and doré and 1,636,591oz silver in concentrate and doré
 - Costs: Phu Kham – C1 US\$1.10/lb and AISC US\$1.60/lb; Ban Houayxai – C1 US\$450/oz and AISC US\$662/oz
- Highlighting PanAust's commitment to safety, families of Phu Bia Mining haulage drivers in Laos were invited to Logistics Safety Days which were held at Ban Thouay and Thakhek in early October.
- The Environmental Impact Statement (EIS) for the Frieda River Copper-Gold Project in Papua New Guinea (PNG) was completed and lodged with the Conservation and Environment Protection Authority (CEPA) of PNG on 20 December 2016.
- On 14 December, the Company announced the expansion of its Myanmar exploration program through a farm-in agreement with Metro Mining Limited over the Mahar San Exploration Project in the Sagaing Region of northern Myanmar
- During the quarter, soil and stream sediment sampling, mapping and ground magnetic surveys were carried out in the Company's Wuntho 1 tenement block in Myanmar.



- An Airborne Electromagnetic (AEM) survey of the Company's 2,600 square-kilometre Contract Area in Laos identified a number of geophysical anomalies in the northwest-southeast trending volcanics between the Phu Kham and Ban Houayxai Operations; the anomalies will be investigated in 2017
- Community engagement activities continued in PNG with a round of surgical assessments carried out by Interplast Australia & New Zealand of villagers living close to the Frieda River Project.

Business overview

Outstanding safety performances continued across the PanAust Group and reflect the Company's commitment to Zero Harm and the success of targeted safety programs which focus on hot spots and lead indicators.

For the December quarter 2016, the Phu Kham and Ban Houayxai Operations in Laos delivered strong results across key performance metrics that contributed to PanAust's excellent full-year results.

PanAust Managing Director, Dr Fred Hess noted that superior safety and production performances, coupled with improved cost outcomes saw the Company deliver its strongest ever annual production and operating cost results.

"2016 was a year of milestones and excellent results for PanAust. Our ability to deliver exceptional safety, production and cost outcomes year-on-year against a backdrop of ongoing commodity price volatility highlights our resolve to see our business excel.

"At PanAust, we continually strive to improve all of our business outcomes. Safety leadership provided by our senior management and a global workforce commitment to our zero harm objectives are considered integral to our success in achieving our economic outcomes. The PanAust Group has recorded no lost time injuries since July 2015. This equates to over 19 million hours worked without a lost time injury; a phenomenal achievement underpinned by our Zero Harm philosophy", Dr Hess said.

"Phu Kham recorded its best ever annual production of copper in concentrate of 89,187t (2015: 78,449t); open-pit material mined of 57 million tonnes (Mt) (2015: 55.8Mt); and, copper recovery rate of 79.9 per cent (2015: 77.4 per cent).

"Ban Houayxai set annual records for gold production of 127,825oz (2015: 119,152oz) and open-pit material mined of 13.2Mt (2015: 12.5Mt). The C1 cost for gold produced of US\$450/oz shattered projected costs for the year (US\$659/oz).

"Commendably, our Operations achieved these records without the aid of additional capital investment, but rather, through the improved performance and productivity of our employees and increased reliability of our existing equipment", Dr Hess explained.

During the course of the year, the Company achieved three major milestones towards its goal of securing a final investment decision for the Frieda River Project.

"The feasibility study for the Project was completed in May. In June, the application for a Special Mining Lease (SML) was made to the Mineral Resources Authority (MRA) of PNG. In December, the EIS for the Project was completed and lodged with the Conservation and Environment Protection Authority (CEPA) of PNG.

“Throughout 2017, PanAust will work to maintain its existing excellent relationships with communities and government in order to advance the Frieda River Project through the formal government permitting and approvals stage.”

As 2016 drew to a close, PanAust continued to pursue activities aimed at securing the strategic and long-term growth of the business.

“In December, PanAust expanded its exploration activities in Myanmar through a farm-in agreement entered into with Metro Mining Limited for the Mahar San Exploration Project in the Sagaing Region of northern Myanmar.

“Myanmar represents an opportunity for PanAust to expand its presence in South East Asia and we look forward to working with Metro Mining in 2017.

“Looking to the year ahead, the PanAust Executive Management team will endeavour to build upon the success of 2016. The success achieved through our focus on managing the PanAust business as an integrated whole encourages us to stretch raise our targets for safety, production and costs in 2017”, Dr Hess said.

Operations overview

Phu Kham Copper-Gold Operation, Laos (PanAust 90 per cent)

Copper in concentrate production at Phu Kham for the December quarter was 22,571t. Solid C1 costs of US\$1.27/lb copper were achieved.

Table 1

Phu Kham Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 31 Dec 2016	12 months to 31 Dec 2016
Copper in concentrate	t	22,571	89,187
Gold in concentrate	oz	20,353	89,657
Silver in concentrate	oz	141,733	535,198
C1 cost after precious metal credits	US\$/lb Cu	1.23	1.10
AISC	US\$/lb Cu	1.81	1.60

Further details of the production and cost performances are contained in Tables 3 and 4 in this report

Phu Kham production performance

Total material mined at Phu Kham during the December quarter was 14.54 million tonnes (Mt) with 4.6Mt of ore processed. The average copper head grade was 0.60 per cent, and gold and silver head grades were 0.26grams/t (g/t) and 2.41g/t respectively.

Overall copper recovery averaged more than 81 per cent for the quarter. Quarterly pay-metal in concentrate sales totalled 23,718t of copper, 21,049oz of gold and 150,698oz of silver.

Ban Houayxai Gold-Silver Operation, Laos (PanAust 90 per cent)

The Ban Houayxai Operation produced 26,735oz gold in doré and 206,614oz silver in doré during the December quarter at an average C1 cost of US\$590/oz after silver credits.

Table 2

Ban Houayxai Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 31 Dec 2016	12 months to 31 Dec 2016
Gold poured	oz	26,735	127,825
Silver poured	oz	206,614	1,101,393
C1 cost after precious metal credits	US\$/oz	590	450
AISC	US\$/oz	873	662

Further details of the production and cost performances are contained in Tables 3 and 5 in this report

Ban Houayxai production performance

Total material mined at Ban Houayxai during the December quarter was 3.2Mt. A total of 1.23Mt of ore was processed.

Sales during the quarter totalled 20,184oz gold and 156,754oz silver.

Pre-development and exploration projects overview

Frieda River Copper-Gold Project, Papua New Guinea (PanAust 80 per cent)

PanAust holds an 80 per cent interest in the Frieda River Copper-Gold Project in PNG. Joint venture partner Highlands Pacific holds the remaining 20 per cent.

Frieda River represents one of the largest undeveloped copper-gold deposits in the world. The Horse-Ivaal-Trukai, Ekwai and Koki (HITEK) global Mineral Resource is estimated at over 2.7 billion tonnes of mineralisation at an average grade of 0.42 per cent copper and 0.23g/t gold and contains approximately 12Mt of copper and 19 million ounces of gold. PanAust considers that the optimum approach to this substantial Mineral Resource is via a multi-staged development that involves an initial project that forms the platform for subsequent phases of exploration, Mineral Resource definition and development.

The feasibility study contemplates an initial Project based on the HITEK copper-gold porphyry deposits and comprises a large-scale, open-pit mining operation that feeds ore to a conventional process plant nominally rated at 40 million tonnes per annum. Average annual production of metal in concentrate is 175,000t copper and 250,000oz gold over the initial mine life, estimated at 17 years.

During the December 2016 quarter, PanAust announced the EIS for the Project had been completed and lodged with the CEPA of PNG on 20 December 2016.

The EIS was prepared by Coffey Environment Australia on behalf of the Project joint venture participants. The Statement is the statutory basis for the environmental assessment for the Project. It is consistent with the Project feasibility study which accompanied the application for a Special Mining Lease for the Project which was registered with the MRA of PNG on 24 June 2016.

Work on the Exploration Access Track (EAT) continued throughout the December quarter. The EAT will improve access and flexibility in logistics to the main camp site from both the Frieda River and the existing airstrip.

Myanmar Exploration Licences, Myanmar (PanAust 80 per cent)

Following approval by the Government of Myanmar Cabinet and President's Office, PanAust was granted three Exploration Licences in Myanmar in January 2016. The Exploration Licences comprise three tenement blocks – Hel Chain, Pin Hin Hka and Nam Awl.

In Myanmar, PanAust holds an 80 per cent interest in Wuntho Resources Company Limited (WRCL) and has established a joint venture with Myanmar Energy Resources Group International Company Limited (MERG), a Myanmar-based company, which holds the remaining 20 per cent of WRCL. WRCL owns 100 per cent of the rights to the areas covered by the Exploration Licences.

In December 2016, the Company announced the expansion of its Myanmar exploration program through a farm-in agreement with Metro Mining Limited over the Mahar San Exploration Project in the Sagaing Region. An initial 1,000 metre scout drilling program is scheduled to commence in late January 2017. The program will target six anomalies that were identified during an electromagnetic survey conducted by Metro Mining in April 2016.

Inca de Oro Copper-Gold Project, Chile (PanAust 66 per cent)

PanAust completed a feasibility study on the Inca de Oro Project in 2014. No material site activities are currently being undertaken or planned.

Sustainability

PanAust is part of a global industry that has a critical role to play in improving the standard of living for current and future generations through meeting the demand for copper and precious metals in a responsible manner.

PanAust has applied leading-practice governance, government and community engagement, environmental management, health and safety, and employee engagement and development to all of its activities in each country in which it has a presence.

In advancing growth opportunities, PanAust will leverage its award-winning sustainability practices to ensure the development of operations that will contribute to host countries' long-term growth and prosperity.

Governance

Two changes to PanAust's Executive Management team came into effect at the end of the December quarter.

Dr Peter Trout was promoted to the position of Executive General Manager Technical Support and Studies and Mr Simon Milroy assumed responsibility for exploration activities for the PanAust Group under the new title of General Manager Corporate Development and Exploration.

Safety

Outstanding safety performances continued across the PanAust Group.

As of 31 December 2016, the Group had recorded 18 months without a lost time injury. Key safety indicators for the year were better than forecast targets: Lost Time Injury Frequency Rate, 0.00; Total Recordable Injury Frequency Rate, 1.15.

These achievements have been as a result of a whole of business philosophy of continuous improvement that has resulted in safety statistics trending positively and at low levels for a number of years.

Safety has had the highest level of commitment by senior management through the Senior Management Significant Incident Taskforce that has focussed on trends and hotspots such as contractor management and vehicle incidents. The Company also reinforces the importance of safety through visible leadership with every executive required to lead at least one layered audit of a high risk activity each year.

This coupled with safety leadership training for all employees in leadership roles, ensuring employees are competent to perform their roles, reinforcement of our Cardinal Rules and a detailed Safety Management System will help the company continue to work towards its goal of zero harm to our employees.

Specifically, actions taken to drive safety outcomes have included:

- The ongoing executive led Significant Incident Taskforce looking at high potential safety incidents
- The Fatigue Management Committee setup to coordinate all initiatives aimed at fatigue risk
- 'Crew Safe' initiative, encouraging collective safety responsibility in the mining departments
- A '5 Safe Behaviours' campaign led by Maintenance Departments
- Specialist external experts engaged to address fatigue in long-haul road transport
- A Logistics Department family open day to increase safety understanding outside the workplace
- Production of safety videos
- Development of safety flash alerts and the weekly toolbox topic presentations as a means to provide effective and immediate communication.

For further information on PanAust's safety philosophy and activities, please refer to the Company's Business Review & Sustainability Report which is available on the Company's website (www.panaust.com.au).

Logistics Safety Days

Highlighting PanAust's unwavering commitment to safety, the families of Phu Bia Mining haulage drivers in Laos were invited to Logistics Safety Days held at Thakhek and Ban Thouay in early October.

The safety days included presentations and demonstrations that highlighted the dangers of driving fatigued. All who attended left with an improved understanding of the inherent dangers associated with driver fatigue and how they can help mitigate risks at home.



Driver Trainer Team Leader, Khamson Phonevilay quizzed children about how they can help their parents combat driver-fatigue at the Ban Thouay Logistics Safety Day, October 2016

Community engagement

PanAust supports a range of capacity-building programs in communities where it operates. Programs focus on key development areas of education, health, agricultural development, microfinance and infrastructure with the aim to develop sustainable socio-economic livelihoods that will continue beyond PanAust's presence.

In Laos, community development teams in conjunction with the Lao Ministry of Health are working to upgrade the water supply systems in the villages of Nam Gnone and Nam Mo. The project will increase the storage capacity of the reservoir tanks, install public taps and improve the village technical and financial capacity to maintain the updated system. Work on the upgrade is scheduled to start in early 2017 and is expected to take two months to complete.

Community health outreach activities continued in Laos during the December quarter through mobile health clinics in Nam Mo and Nam Gnone. The clinics provide free general health and dental checks and eye tests to children and the elderly three times a year. The clinics also provide information on prenatal health, stages of child development, breast feeding and nutrition, immunisation, birth spacing and family planning to women aged 15-45.

Successful completion of surgical assessments of villagers in PNG by Interplast Australia & New Zealand

In November, Interplast Australia & New Zealand successfully completed a round of surgical assessments of villagers in communities close to the Frieda River Project. An Interplast team, along with PanAust Community Affairs personnel, visited the villages of Paupe, Wabia, Ok Isai, Oum 3, Iniok, Sokamin, Fiak and Telefomin to assess villagers who presented with conditions relating to plastic and reconstructive surgery.

The assessments represent the successful continuation of a collaboration between PanAust and Interplast in Laos since 2012, and is indicative of the Company's commitment to improving the lives of those living close to where it operates.



Villager Dusam is assessed by Interplast Australia & New Zealand surgeon, Russell Corlett, November 2016

PanAust Group production and sales statistics December quarter 2016

Table 3

Phu Kham Copper-Gold Operation	Units	3 months to 31 Dec 2016	12 months to 31 Dec 2016
Total material mined	t	14,540,429	57,017,662
Copper-gold ore mined	t	5,376,583	20,274,893
Ore milled	t	4,656,238	19,105,184
Copper head grade	%	0.60	0.58
Gold head grade	g/t	0.26	0.28
Silver head grade	g/t	2.41	2.20
Concentrate produced	dmt	96,695	384,275
Copper in concentrate	t	22,571	89,187
Gold in concentrate	oz	20,353	89,657
Silver in concentrate	oz	141,733	535,198
Copper recovery	%	81.16	79.89
Concentrate sales	dmt	101,434	377,641
Payable copper in concentrate sold	t	23,718	87,288
Payable gold in concentrate sold	oz	21,049	88,487
Payable silver in concentrate sold	oz	150,698	548,007
Ban Houayxai Gold-Silver Operation		3 months to 31 Dec 2016	12 months to 31 Dec 2016
Total material mined	t	3,233,673	13,183,268
Gold-silver ore mined	t	1,338,425	5,283,142
Ore milled	t	1,230,230	4,703,191
Gold head grade	g/t	0.89	1.01
Silver head grade	g/t	9.60	12.32
Gold in doré	oz	26,735	127,825
Silver in doré	oz	206,614	1,101,393
Gold recovery	%	78.17	83.40
Payable gold in doré sold	oz	20,184	122,363
Payable silver in doré sold	oz	156,754	1,058,361

Cumulative data may incorporate post reporting period adjustments to prior periods

Table 4

Phu Kham Copper-gold Operation production costs US\$/lb copper	3 months to 31 Dec 2016	12 months to 31 Dec 2016
Mining cost	0.67	0.60
Deferred mining and inventory adjustments capitalised	-0.04	-0.01
Processing cost	0.51	0.53
General and administration (site support)	0.13	0.13
Total on-site operating costs	1.27	1.25
Transport handling and marketing	0.19	0.18
Concentrate treatment and refining	0.29	0.29
Total off-site operating costs	1.75	1.72
Deduct precious metal credits	-0.52	-0.62
Total direct operating costs (C1 cost)	1.23	1.10
Royalty	0.17	0.14
Sustaining capital (includes TSF)	0.14	0.11
Corporate support and shared services costs	0.09	0.09
Lease principal and interest charges	0.14	0.15
Deferred mining and inventory adjustment capitalised	0.04	0.01
All-in sustaining costs	1.81	1.60

Notes: costs are based on payable copper in concentrate produced; may include minor computational discrepancies due to rounding

Table 5

Ban Houayxai Gold-Silver Operation production costs US\$/oz gold	3 months to 31 Dec 2016	12 months to 31 Dec 2016
Mining cost	307	220
Deferred mining and inventory adjustments capitalised	-15	7
Processing cost	351	301
General and administration (site support)	73	61
Total on-site operating costs	716	589
Total off-site operating costs (freight, refining)	8	8
Deduct silver credit	-134	-147
Total direct operating costs (C1 cost)	590	450
Royalty	82	84
Sustaining capital (includes TSF)	78	35
Corporate support and shared services costs	32	31
Lease principal and interest charges	76	69
Deferred mining and inventory adjustment capitalised	15	-7
All-in sustaining costs	873	662

Notes: costs are based on payable copper in concentrate produced; may include minor computational discrepancies due to rounding

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ⁱ Brook Hunt convention for the reporting of direct costs comprising: mine site, product transportation and freight, treatment and refining charges and marketing costs; based on payable metal content after by-product credits

ⁱⁱ AISC reported are the C1 cost plus royalties, allocated corporate support charges, shared services costs, sustaining capital; lease principal and interest charges; and deferred mining and inventory adjustments capitalised